

The Path Forward: An Economic Viewpoint

by
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No doubt that Ethiopians are political animals. In living rooms, weddings, bars, etc., all conversations (assuming it is between trusted friends) will touch on politics. The basis of one's political position is almost always driven by principle. That, in itself, is very admirable but in a country as materially poor as Ethiopia (with recurring droughts and famines), some positions should be based on economics. Likewise, most Ethiopian politicians invoke economics solely to score political points. If the average citizen had a cent for every time a politician said, "our number one enemy is poverty and backwardness" with no real prescriptions, the country may indeed overcome its famine epidemic. It is with the hope of trying to guide the discussion to economics that I put forth this paper.

I have re-written this paper several times. After much debate, I have stripped it off of its academic feel, i.e., no footnotes, theories or rigid structure. My target audience is economic policy planners in Ethiopia – in government, in the opposition political parties and hopefully in private companies and lobbying entities. I have tried to make this as direct and readable as possible for those concerned to initiate research and discussion among their staff. As such, I have grouped my suggestions into straightforward, ten-point, action-oriented recommendations.

Ten Recommendations

1. Abolish "Agricultural-Led" Development Policy
2. Institute Geographically-Based Centers of Excellence
3. Privatize Land
4. Terminate Government Ownership of Businesses
5. Secure Sovereign Sea Access
6. Reduce (and Eventually Bar) Conditional Aid
7. Enforce Law and Order by Any Means Necessary
8. Eliminate Corruption but Do Not Aim for Purity
9. Free Trade & Open Economy to Foreign Investment (with National Security Controls)
10. Invest in Practical Education and Control Population Growth

Recommendation #1:
Abolish “Agricultural-Led” Development Policy

Over the years, the Ethiopian people have been molded to think of the government as their patron and their provider. During the times of the monarchy, the emperor was the de facto father of the nation. The DERG blatantly put “our collective government first and individuals second”. The current government also manifests the mindset that “the population at-large is of lesser intellect and must be protected from itself.” Nowhere is this more evident than its land policy. The main reason for not privatizing land is that “these [less knowledgeable] peasants will sell their land to an elite few and flood the cities...We [smart government officials] know this and are avoiding this disaster preemptively.” I mention this solely as an example to highlight a warped mentality and not to discuss land policy in detail. (See Recommendation #3 for land policy discussion.) As difficult as it is for government officials to accept, they are simple bureaucrats no better than the average citizen that someone who assumed power violently (consistent with the history of the country) has appointed to a certain position. They do not know what works for society any more than other members of society. Given this, their role should be to facilitate and govern with as little negative interference as possible.

This now brings us to the current “Agricultural-Led” economic development policy. Eighty to ninety percent of Ethiopians are engaged in subsistence farming. The Ethiopian peasant has been farming the highlands for over three thousand years. What do government officials have to teach these farmers? Which arrogant government official is going to go to a farmer and tell him that he will improve his yield if he utilizes fertilizer? Don’t you think these farmers know that? What do you think they talk about during their lifetime? Or is the government official going to shed light on the fact that the crops need water? Irrigation is not a new concept. Farmers have been doing it for a long, long time. It is sheer poverty and government laws that prevent access. Or is the government going to lead these farmers by explaining to them the importance of cash crops, commerce, crop rotation, multiple harvests, soil erosion and employment diversification? The reality is that if these farmers were literate (and not struggling for their daily lives), they would publish volumes of studies on agriculture. All the government can do to help this sector of the Ethiopian economy is to (1) facilitate the distribution of fertilizer, (2) ease irrigation policies, (3) build better infrastructure to facilitate agri-commerce and (4) protect farmers from unfair competition. Thus, the government’s role in this sector can be best summarized as facilitation, maintenance and protection of basic individual rights. This can hardly be called a national development policy.

If the government wants to lead the development of Ethiopia, it should do so by (1) encouraging the development of new economic segments [example: basic manufacturing and/or specialized manufacturing such as light vehicle or light-ship manufacturing – similar to China’s current development policy], (2) initiating public development projects [example: major road projects such as a “Route 1:Zalenbessa-Moyale” highway and a “Route 2: Assossa-Harrar” highway – similar to the U.S.’s development policy under President Eisenhower in the 1950’s], (3) creating new markets/synergies [example: federation with Djibouti and/or Somaliland always maintaining the principle of 1-person, 1-vote – similar to Europe’s strategy with the EU], (4) instituting innovative, pro-economic growth programs [example: controlling population growth – similar to China and India in the last three decades] and (5) undertaking large infrastructure projects that

the private sector is unable to pursue [example: building a dam on the Blue Nile River – similar to Egypt]. These are radical steps in new directions that will result in high-single digit or possibly double-digit economic growth rates – and they could be described as “X-led Development Policy”.

In any democracy, when a political party runs for office, it embraces a certain ideology and it bases its campaign on that ideology. But once that party wins office, it becomes exposed to new ideas and new information and changes its policy accordingly. Of course, we all know that the EPRDF/TPLF was not elected to office in 1991, but it did run/recruit with a “pro-farmer, pro-peasant, pro-agriculture” ideology. As such, the organization may be feeling a sense of loyalty to its constituency. It is rumored to have “a romantic attachment to the peasantry especially those from Northern Ethiopia.” But the fact remains that the organization is now exposed to more information, more ideas and must shift its policy accordingly. It is in the long-term interest of its constituency if it starts to shift its development priorities to those mentioned in the preceding paragraph.

The agricultural sector is already a dominant sector of the Ethiopian economy. To reiterate, the Ethiopian government has little to add to improve this sector – certainly not at the “national policy” level. As such, the government should drop its “Agricultural-Led” development policy. Instead, it should simultaneously start meaningfully leading development in other sectors and exploring discontinuous growth opportunities by thinking out-of-the box.

Recommendation #2:
Institute Geographically-Based Centers of Excellence

Most of the individuals who will read this paper probably grew up or spent a great deal of time in Addis Ababa, Ethiopia. They may, consciously or subconsciously, associate the Ethiopian economy with Addis Ababa's well being. That is wrong. The evolution of Addis Ababa as the political, commercial and cultural capital of Ethiopia has simultaneously weakened the rest of the country and made the city itself unmanageable. The evolution of Addis Ababa is indeed a colossal economic mistake. It is easy to see how the politics of the country in the late 19th /early 20th century drove this decision (the creation of Addis Ababa). Politics was prioritized over economics.

A well-crafted, national development policy would have encouraged the creation of geographically-advantaged political capitals and centers of culture. In the all-important sphere of economic development, a rational government policy would have encouraged the rise of geographically-advantaged agricultural and industrial centers in various parts of the country. It is worth mentioning that I do not believe that current government policy is geared in this direction either. Once again, politics is being prioritized over economics as the current Ethiopian government tries to create "mini-Addis Ababa's" all over Ethiopia. From an economic development point of view, this is equally disastrous as the mistake made over a hundred years ago.

The table below compares the concept of "geographically-based centers of excellence" for the United States and Ethiopia. The data points for the United States are actual; those for Ethiopia are examples. Rather than being pre-occupied with a specific region, city or locale, the reader should understand this recommendation as a general support for the rise of specialized centers. I have no doubt that this table can be modified and refined further. While pinning down specific cities or locales can be debatable, regional allocation should not be. For instance, a quick overview of the Ethiopian landscape demonstrates that the South Western part of the country is the most fertile. As such, agriculture and associated agri-business should be housed there. Northern Ethiopia (especially the North Eastern part) is agriculturally less productive yet heavily settled. As such, it is screaming to be a manufacturing or finance hub.

Table 1: Geographically-Based Centers of Excellence

	United States (Actual)	Ethiopia (Examples)
<i>Political Center</i>	Washington, D.C.	Addis Ababa
<i>Finance Center</i>	New York	Mekelle
<i>Agri-Business Center</i>	-Iowa, Wisconsin, Florida (Midwest, Rocky Mountain and Southern States in General)	- Assossa -Jimma (South West in General)
<i>Cultural Center</i>	Los Angeles	Desse
<i>Intellectual Center</i>	Boston	Gonder
<i>Manufacturing</i>	Detroit	Bahr Dar

<i>Center</i>		
<i>Other</i>	Etc.	Etc.

The main economic theories that support such a rise of specialized centers are the concepts of “Economies of Scale” and “Network Externalities”. It would be far cheaper to process and package foodstuff in one particular locale in South Western Ethiopia and ferry it around the country rather than operating in a decentralized manner. Companies concentrated in this locale can easily share (share defined to mean easily interchange in a free market) agricultural equipment, experienced labor and seasoned managers. The benefits will also include a concentrated availability of specialized agricultural suppliers and transporters. Of course, this example is much more evident if one considers a manufacturing hub in North Eastern Ethiopia.

Additional benefits of such specialized centers will include the full utilization of Ethiopian resources (specifically the land), the rise of an ever-efficient transportation sector and broader participation by all members of the society. Such an advocacy for government encouragement for the rise of specialized centers should not be interpreted as advocacy of government interference in free market. The government should only utilize incentives (tax and other similar incentives) in encouraging the rise of these specialized centers. Not a single company should be forcibly relocated. Additionally, the government should use its goodwill with the business community to achieve its goals. As examples, the Ethiopian government should consult with the government of Brazil on the latter’s relocation of its capital city to the center of the country. China, as well as numerous other nations, has embarked on such endeavors.

It should also be understood that an advocacy for centers of excellence does not equate to local (usually of one ethnic group) control of that specific industry. Investors from all parts of the country should be able to invest in any of the companies located in these centers of excellence; qualified managers from all parts of the country should be able to find jobs in any one of those companies; and laborers should be employed regardless of ethnicity. This is an especially important consideration when taking into account the welfare of Ethiopians where the agri-business is to be centered. A sensitive issue in Ethiopia is that no region wants to be relegated to farming when other areas of the country are developing in the areas of culture, finance and manufacturing. The government should pay special attention to make sure that Ethiopians from the soon-to-be breadbasket of the country are getting an equal share of development in other sectors as investors, managers and laborers. But this issue should not stand in the way of the overall recommendation – regions should be developed according to their strengths and needs.

The rise of “mini-Addis Ababa’s” and the attempt to make each region as self-sufficient as possible flies in the face of economies of scale and network externalities. Economic policies that go against the grain of nature are bound to fail. (They will succeed only if significant levels of one-time and ongoing investments are outlaid.) Rational economic policy demands that the government encourage the rise of specialized centers.

Recommendation #3:
Privatize Land

Land policy has gotten a lot of attention lately; the pros and cons of privatization are being debated intensely. This is indeed a welcome development. As such, it is probably not worthwhile to spend too much time repeating information that is widely available. As stated earlier, the main reason not privatizing land is the belief that peasants will sell their land to an elite few and flood the cities. This is indeed an arrogant position to take by those who hold it. No person is a lower form of life than another and in need of constant government protection. In fact, too much of this protection usually equates to some form of incarceration. One must also never discount the enormous amount of power shifted to government bureaucrats when land belongs to the state. These bureaucrats, usually members of the ruling party (which consistent with the history of Ethiopia came to power with brute force), are susceptible to political manipulation and outright corruption/bribery.

Let me by pass a lot of economic theory and just assert that members of a society (at the national level) basically have four fundamental assets – Land, Water, Air and Freedom (of people to work and trade). As long as there is a strong government to insure and protect these assets, the nation will create wealth for its members. Of course, there are various cuts on this thinking. This is the main reason for U.S. victory in World War II and its dominance there after. The United States is a big land mass (with several river systems and sea ports) not encumbered by political divisions; it is a very open and free society. Despite what may come across from watching CNN consistently, the U.S. government's role is minimal. It has been so effective protecting and insuring the four fundamental assets over the years that it has created ever-greater standards of living for its citizens. When the economy hits a downturn, such as the 2001-2004 recession, it is the housing market (land) that held up the economy. The U.S. remains the envy of the world and the place that most of the world population would immigrate to if given a choice. And that is largely due to the “freedom” (to work and trade) aspect. The Ethiopian government and all those in the opposition must understand and internalize the underlining reasons of national wealth generation.

Ethiopian citizens need to feel secure; they have to feel a sense of ownership of their existence. Too much government over the years has resulted in a cynical, nonchalant, “leave it to chance” attitude. Given the lack of wide availability of financial instruments (aside from cash), land is the main measure of wealth in the country. Privatization of land will empower the population. This in turn will instill the necessary levels of confidence to learn, invest and improve oneself.

The 1970's outcry “land to the tiller” was wrong. It has a noble goal but it is detached from the reality we live in. That policy (and it is being continued in many forms) is the reason for the poor state of agriculture in the country. Land belongs to those who will pay for it and then develop/maintain it or farm/nurture it. It equally belongs to those who will labor and find tenants for it or those who will leverage it and invest in other industries. It certainly does not belong to the state. The government should return the land to its rightful owners (i.e., the Ethiopian people) and devise innovative land policies that encourage the full utilization of this important asset. (For instance, encouraging development/farming by aggressively collecting taxes from

idle property and maybe even going as far as having a special “idle land tax”.) The government should not choose the easier path and simply sit on all of the land in the name of the people.

From a planning point of view, one of the benefits of a country as big as Ethiopia is that a policy could be tried out in one area before it is considered for the entire nation. Perhaps land could be completely privatized in one of the smaller regions such as Gambella, Beneshangul-Gumuz, Afar or Tigray. Theories could be tested and lessons can be learned. This is one good way of experimenting in policy planning.

Land is indeed wealth. The emotional attachment people place on it and its resulting effect on the national economy cannot be underestimated. (Highly recommend Pearl S. Buck’s pseudo-fictional “The Good Earth” or at least the last paragraph of the book.) And one should not regard “emotional attachment” and “confidence” as a flimsy words unassociated with economics. On the contrary, see how Western planners and governments religiously follow their respective country’s Consumer Confidence Index. The Ethiopian government, much like its predecessors, must not politicize the issue of land privatization and try to score political points. It must privatize land to accelerate economic growth.

Recommendation #4:
Terminate Government Ownership of Businesses

The Ethiopian government at times looks like a mismanaged conglomerate. It is in every business imaginable including foodstuff production, beverage bottling, textile/garment production, leather tanning, engineering services, financial services, coffee marketing, public transportation, freight transportation, construction, horticulture, pharmaceutical production, consumer goods production and marketing, hotel services, tourism services and mining – to name a few! (My personal favorite is Addis Candy Factory.) Measured by any business performance metric – revenue generation, cost efficiency (maintenance and reduction), profitability, return on equity, etc. – these businesses grossly under perform when compared to their peers. There are volumes of data that prove without a doubt that the private sector is more efficient in allocating and handling society's resources. Quite simply, government officials (while employed by the government or actively engaged in politics) do not make good business people. The entire globe is coming to this conclusion and Ethiopia is far behind.

There seem to be two main reasons/drivers for the current state domination of the Ethiopian business scene. The first reason is the legacy of communism/socialism. Faced with two stark choices in the twentieth century, the generous, benign and holistic African culture (coupled with a heavy dose of religious influence in Ethiopia) incorrectly concluded that socialism was closer to its nature. Little did the average person know that socialism equates with inefficiency, dictatorship and rigidity of the mind. But we all learn with time. Looking at the history of Ethiopia, it is the competitive nature and the ever-present will to disagree that has produced the best leaders. A socialist mindset may be forced on the population but will unlikely succeed in solving the country's enormous economic problems. The second driver for the current state domination of the Ethiopian business scene is the lack of creativity on behalf of government officials. Most government officials would not know what to do with themselves if they don't actively involve themselves in other peoples' businesses. A great facilitator (i.e. government's involvement in the business scene) should be to fade into the background and let the participants engage in the topics; the facilitator should insert herself only if a problem has arisen and then she should quickly pull herself out. This is understandably difficult for the officials who have to give up power. The irony is that they must do so in order to create the vibrant private sector that will employ them eventually.

Government leaders must acknowledge the above two (and possibly many other reasons) as to why they have so many unproductive businesses under their control. They must also acknowledge the points made in the first paragraph of this section and internalize the lessons the world has learnt. Then, they must take the logical next step and sell of the government's interest in most (eighty to ninety percent) state businesses back to the Ethiopian people. The government should only own businesses that the private sector will not touch, such as a dam (hydroelectric generation/irrigation business) on the Blue Nile River. Such a project would be too controversial and entail too great a risk – including possible Egyptian aerial bombardment – for a private entity.

But the termination of government ownership of businesses does not end there. The government must proceed to contract out as much government work as possible – ranging from government

payroll service to postal delivery to cleaning of military bases. Large chunks of government work, even in the defense (armed forces) sector, can be outsourced and conducted more efficiently by private contractors.

So, what is the role of government? Related to the business scene, the government should first develop expertise in accounting, tax collection, fraud investigation, criminal prosecution, criminal detainment, global asset search/seizure and policy awareness campaign conduction. Moreover, the government must take great pain to develop its domestic and foreign intelligence assets. In short, the government's primary strength should be gathering intelligence and enforcing the law (both overtly and covertly) so as to protect the economic well being of its citizens. Secondly, the government should encourage the rise of "Corporate Ethiopia". Two notable groups that come to mind are MIDROC and EFFORT. They should be applauded and supported. Another large entity (completely independent of MIDROC and EFFORT), with ownership/control of Ethiopian Airlines, should emerge. Yet another group (completely independent of MIDROC, EFFORT and the entity controlling Ethiopian Airlines) should be allowed to purchase Ethiopian Telecom and grow from that base. The rise of such large entities in private hands will simultaneously ensure a wise resource allocation for society and allow the government to focus on its primary responsibility of enforcing the law. (Note: Some may point out the risk of inefficient resource allocation in such large firms. If these large entities are truly private, market forces will quickly correct any mismanagement of resources.)

Hopefully, the case has been made for the termination of all government interest (including share holding) in business. Whether small, medium or large entities dominate the business scene is a point of debate; the culture of the nation and the talent of the management at these companies, among other factors, will determine the outcome. However, the need for a complete termination of government ownership of businesses should not be debatable. Economic growth and lives depend on it.

Recommendation #5:
Secure Sovereign Sea Access

An informed reader will not question Ethiopia's need for sea access for the country's well being. Instead, she will be fixated on the word "sovereign" in an economic-inclined paper. For sure, the foremost reason for Ethiopia to secure sovereign sea access is for its national security interests. But we will leave that for the political analysts to discuss.

Secondly, even acknowledging Eritrea as an independent state, there is overwhelming legal evidence to suggest that the entire leg of Eritrea (the sixty kilometer territory in Eastern Ethiopia) belongs to Ethiopia. That stretch of land is evidently an "unnatural evolution" of Eritrea. It is clearly a man-made corridor intended to land lock Ethiopia. Colonialism, unbalanced treaties and racism simply add clarity to the picture. Putting aside the close and intertwined history of Ethiopia and Eritrea and just focusing on the last ten years (since Eritrea's independence), one observes a series of treaties and understandings (some overt, some covert; some explicit and some implied), an invasion, a war, a ceasefire, a discarded border ruling, a follow-up intelligence/proxy war, etc. At best, there is a legal dilemma/confusion.

So, what is Ethiopia to do amidst the legal confusion? Quite simply, it must act in its economic interest. The overwhelming level of poverty (for instance, the average Ethiopian makes U.S. \$100/year; seven to thirteen million Ethiopians were threatened with famine last year) certainly demands that it do so. Ethiopia has sufficient legal cover to return this piece of territory. One can think of several economic arguments that support sovereign sea access: for instance...

- Loss of Market Confidence/Goodwill: One of the biggest mistakes of the current economic policy (most evident in land locking Ethiopia) is the neglect of the "goodwill" of Ethiopia. Goodwill is not an imaginary asset; it is as real as hard currency. Its presence is observed in the overage of market value over book value in many companies listed on exchanges all over the world. The "U.S.A." takes the top prize in this version of the brand wars. The U.S.A. is the ultimate choice of investors around the globe because come what may, it is the one institution that you can count on to be there every morning (for a long time to come). There is very little doubt that the "Ethiopia" brand has been eroded. (Despite the small levels of economic progress, famine and poverty are still abundant. The only thing different now is that the country is land locked.) Any apparent improvement in goodwill by constant support from the West is most likely artificial and will be short lived. Better yet, why can't Ethiopia enjoy the same with its sea access intact?
- Loss of Key, Port-Related Industries: A key plan of previous Ethiopian administrations – clearly unrealized – was to develop vibrant shipbuilding and fishing industries in the Afar seacoast. If realized, this would contribute to the national economy in terms of job creation and economic diversification. This is an obvious loss.
- Foreign Political Risk Exposure: The Ethiopian economy, and the exporting sector in particular, is now exposed to the political risk in Eritrea, Djibouti, Sudan and Somalia. As if the Ethiopian economy does not have enough obstacles, it has to depend on the well functioning of these states. American importers of Ethiopian goods will have to depend on

safe passage of their product through the streets of Somalia, where bodies of their soldiers were dragged about ten years ago. Or they have to await safe passage of their goods through Eritrea, where the President of that country has publicly accused the CIA of trying to overthrow him. Or they have to look to Sudan, where they lodged cruise missiles as late as 1998. Perhaps if Ethiopia were a wealthier nation that can absorb all this, it would be acceptable. Unfortunately, Ethiopia is a very poor country and desperately needs a needle-drop quite neighborhood to compete globally. The Ethiopian government must secure safe passage of commerce to and from the farm/ship and factory/ship.

- Retardation of the Manufacturing Sector: The manufacturing sector in Ethiopia, meager at less than ten percent of the economy, is suffering (there was a recent government release to this effect) and will continue to suffer. This sector is already weak by global standards and is unable to compete as is. On top of that, it will face the following obstacles.
 - Double Taxation – In the process of importing goods or exporting goods, Ethiopian manufacturers will be taxed by the federal, province and local governments of Ethiopia/Eritrea, Ethiopia/Somalia, Ethiopia/Djibouti and Ethiopia/Sudan. This may not occur in the first few years as “free trade agreements” are celebrated for political purposes. But the taxes – in the form of VAT tax, port fees, handling fees, inspection fees, gate fees, toll fees – will eventually follow. It is the nature of all governments to tax and those in East Africa are no exception. This will greatly disadvantage Ethiopian manufacturing companies.
 - Double Bureaucracy – While this point may be similar to the one above, I think all who have tried to work in the region will appreciate it being called out as a separate point. The red tape and the associated corruption (bribery) are now multiplied by two for Ethiopian manufacturing companies. In this region where government officials are so poorly compensated, the effect of this “corruption squared” cannot be underestimated.
 - Susceptible Trade Secrets – Trade secrets of Ethiopian manufacturers – part designs, manufacturing techniques, supplier contacts and customer lists to name a few – will be compromised more so in a land locked Ethiopia. Ethiopian manufacturers stand to lose in these “economic wars”.

The above are just a few examples. One could go on and on. The enormous strain on the manufacturing sector, coupled with the government’s focus of “agricultural-led development”, paints a picture of an Ethiopia relegated to agriculture. Ethiopia seems to be positioned as a source of raw materials and cheap labor; this is not in the best interest of Ethiopia.

While focused on the manufacturing sector, it is worth noting that the former province of Eritrea (with only five percent of Ethiopia’s population) was reputed to manufacture as much as thirty percent of Ethiopian goods. That arrangement made sense so long as Eritrea was a part of Ethiopia – meaning Ethiopians could own, manage and work in companies based in Eritrea and vice-versa. Since Eritrea is much less agriculturally productive than Ethiopia, that arrangement was a win-win for both countries. The independence of Eritrea in 1993, while tragic on some levels,

could be an enormous boost to Ethiopian manufacturers if it is managed right. Domestic manufacturing companies could replace the now-foreign Eritrean manufacturers. Per the discussion earlier, these new companies could be concentrated in the new Ethiopian manufacturing hub (See Recommendation #2).

From an economic perspective, secession from Ethiopia does not make sense even from Eritrea's point of view. So, why did it happen? There are two main reasons. First, the Eritrean leadership correctly figured that aid per capita would be much higher in an independent Eritrea than under a unified Ethiopia. As long as an independent Eritrea can make enough noise and is presented to the rest of the world as an equal to Ethiopia (such as news mentions of "stalemate situation between Eritrea and Ethiopia" or a "draw from the 1998-2000 Ethio-Eritrean war", etc.), it will get foreign aid almost as much as Ethiopia. This has in fact proven to be right. By any measure, aid per capita is much higher for the independent Eritrea. Secondly, economic planners in Eritrea (with the support of the investment community in and outside of Eritrea) must have concluded that Ethiopia was too large, too diverse, too complex and "too sovereign" to develop. The thinking goes further to conclude that a smaller, less-diverse country can be better managed and could emerge as a manufacturing and financial center for the region. The former reason for Eritrea's secession is none of Ethiopia's business; it is an Eritrean choice. However, the latter reason is very much Ethiopia's concern. Political maneuvering (i.e., secession) for economic purposes – must be neutralized. To this end, Ethiopia must take great pain to distinguish the "Made in Ethiopia" and the "Made in Eritrea" brands; it must overtly and covertly prevent undue profits from reaching unworthy investors. If this is not properly managed, the desire of every region (woreda, kebele, etc.) holding a critical asset to secede and seek a thwarted treaty with Ethiopia will be enormous.

Ethiopia cannot accept to be relegated to be an agricultural society so long as Eritrea, Djibouti and Somalia are independent entities. The economically rational decision would of course be to federate the entire lot – always respectful of the principle of 1-person, 1-vote and the principle of free flow of capital, labor and management. (This would of course be nothing other than a Greater Ethiopia since well over the majority of the people of the Horn live in Ethiopia.) Unfortunately, this is far from reality at the present time. And thus, Ethiopia must look after its interests by securing its Afar/Red Sea coast.

A side point in all of this is the status of small villages like Badme. The loss of these places (again putting principles and politics aside) will have a noticeable effect on the Ethiopian economy. It will further erode Ethiopia's confidence, credibility and goodwill. But no one should lose sight of the bigger picture – Ethiopia's need to restore its sovereign sea access, which is infinitely more important to the Ethiopian economy. "Badme" is being used as a distraction by too many parties.

It is not an accident that there are such few countries in the world today that do not have sovereign sea access; this is an issue of tremendous importance to national economies. The loss of Ethiopia's sovereign sea access remains one of the most perplexing events in modern history. It was an economically irrational decision undertaken by the Ethiopian government; it must be reversed.

Recommendation #6:
Reduce (and Eventually Bar) Conditional Aid

Given that two thirds of the Ethiopian government's annual budget somehow traces itself to aid from other countries, this is perhaps the most controversial recommendation. The sudden elimination of such a large proportion of the budget would certainly result in a breakdown of the society (or at least the government) and that is not the recommendation here. Rather, the idea is a gradual phasing out of this aid from its current levels.

This gradual phasing should occur regardless of the circumstances in the future. Perhaps it is the "regardless" aspect that makes this recommendation controversial. This recommendation has its roots both in economic theory and the observation of one aspect of the rise of the TPLF/EPRDF. Let's start with the economic theory. Whether it's a joke or not, one Ethiopian farmer is quoted saying, "When we are hungry, we pray for rain in Canada". [Referring to the fact that Canada provides a lot of food aid.] The continuous flow of food aid, while good in the short term, is destroying the will of the farmer to aggressively produce and market his good. The above quote is a manifestation of this problem. Those who farm and sell their produce must get market prices – not the price ceilings (or floors in some cases) that the government bureaucrats set. The loss of that one, once-confident and motivated but now demoralized, farmer (due to the fact that grain prices are now well below what he had intended to get) will be a far greater loss to the economy than the two or three individuals who will be temporarily fed during this season. That farmer, while incurring losses this year and with depreciated assets, is far less likely to try hard again since he does not know when the market will be flooded again. The destruction of 'real' domestic grain, fertilizer and other such commodity markets should be a real concern to planners. (This problem is compounded significantly by the state ownership of land – See Recommendation #3.)

Secondly, it has been rumored that the senior leadership of TPLF withheld aid from their constituency during critical times in the 1980's and profited from the aid in order to achieve their larger goal of assuming state power. Greed was not their motivation. Hardly. They correctly figured that more lives would be saved in the long run if they assumed state power, run the country right, made fundamental changes by building appropriate infrastructure and generally invested in the community. Again, sans proper cost/benefit analysis of each decision, it is impossible to judge the success of such a policy. But I think most would agree that this policy feels right. It is time to repeat this success in the larger Ethiopian context. It is time to swallow the bitter pill and make the necessary infrastructure changes.

The recommendation here is to make a fundamental policy change and institute a year-over-year reduction in the following figures – (1) volume of aid, (2) dollar value of aid, (3) percentage of government budget supported by foreign aid, (4) aid value per capita, etc. Goals should be public. Moreover, a constitutional amendment should be passed placing a limit on some of these numbers. A similar debate in the United States is the discussion surrounding the U.S. budget deficit. There have been some radical proposals to pass constitutional amendments to prevent the government from overspending. Ethiopia should consider similar proposals. Likewise, aid acceptance should be slowly phased out. Ethiopian politicians and government officials must be

able to phantom a world (perhaps fifty years down the road) where they can prepare a budget without income from aid sources. They should at least lay the foundations to such a path.

Another point of discussion is the topic of Politically-Motivated Aid (PMA). This has destructive effect on the Ethiopian economy for very obvious reasons. The motivation of such forms of aid is not the need of the recipient but rather the (sometimes indirect) need of the donor. For instance, a great deal of the aid that comes to Ethiopia from the West is food aid as opposed to hard currency aid that flows to other parts of the world. Is this simply surplus dumping? Is it subsidy for Western farmers? Such aid is most likely to come at unneeded times and likely to undermine the local economy. Even more intrusive, consider the recent announcement for aid increase (tripling of aid) from the United Kingdom to Ethiopia. Although not explicitly spelled out, this increase was tied to Ethiopia's willingness to accept the Hague border ruling. Is this how much Ethiopia's sovereign sea access is worth? Not even. This is what is called "buying things on the cheap". So what is the Ethiopian government to do with respect to PMA? Nothing. It is obviously not in a position to do anything at the present time. However, concerned Ethiopians should establish an Aid Monitoring Institute, an Ethiopia-based private think tank, whose sole responsibility would be to rate/grade foreign aid to the country. Such an institute, devoid of government and politics, would be ideal to look at such factors as (1) political motivation of donor country/entity, (2) economic motivation of donor country/entity, (3) form of aid, (4) average grade of past aid from donor country/entity (5) conditions tied to the aid, (6) timing of aid, etc. These factors (and these are only few) can then be weighed and scored. And thus, the Aid Monitoring Institute could follow up each aid announcement and grade it on a scale from "A to F" or from "0 to 10". The Ethiopian government should not object to the establishment of such an institution.

Ending dependency is a difficult undertaking; hence, the "circle of poverty". But internal discipline based on a gradual, phasing out of aid, coupled with gentle pressure on donors not to manipulate situations, will result in a healthy Ethiopian economy. Such a policy, in conjunction with the other recommendations included in this paper, will indeed result in an Ethiopian economy tied to the world economy via trade routes in lieu of the status quo.

Recommendation #7:
Enforce Law and Order by Any Means Necessary

Geneticists, archeologists and historians all agree that the region today known as Ethiopia is the most likely origin of mankind. Economically speaking, this means that the region has been settled and farmed for a very long time. The area has also been hard hit with draught and famine. In other words, the region has enough natural obstacles and all must be done to minimize man-made threats to development. Indeed, as mentioned earlier, one of the key requirements for economic development in Ethiopia is a “pin-drop” quiet environment. Investors – be it small commercial farmers, industrialists, small business owners or service providers – need to feel secure to conduct their business. They should only be exposed to risk that they willingly, knowingly and calculatingly take.

With the above as background, we proceed to ask what the government should do to ensure that law and order prevail in the country. It is also worth mentioning that the following recommendations are not specific to the current government; they equally apply to subsequent governments.

The first priority should be the elimination of armed insurgency in the country. There is nothing more discouraging and unsettling to the investment community than to imagine that a whole new government (with a smack, brand new philosophy, system and bureaucracy) is coming. The business class, which operates in the hostile environment, will withhold its investment for very obvious reasons. Additionally, armed opposition groups tend to have satellite offices abroad and their mere presence (let alone if they release results of successful operations against the government) will frighten the foreign investment community. Ethiopia in general, but the government in particular, should welcome investors (both foreign and domestic) with open hands, red carpets and wide smiles – and not news of armed insurgency. Understanding of the root causes of rebel activity, making compromises and resolving issues at hand peacefully in a manner that is fair to all stakeholders is the preferred method. Specifically, increasing the standard of living and the level of democracy/freedom will reduce the attraction to armed insurgency. However, if all peaceful means are exhausted and force is indeed required, it should be massive and decisive. The glory of “rebellion” must come to an end in Ethiopia. Equally important, the government must also discredit false reports emanating from armed insurgents with hard facts in a timely manner. It must prosecute the sources and disseminators of false news. In this public relations fight, the government must focus its attention on foreign investors because these investors are less likely to be knowledgeable about situations in the country and less likely to distinguish between real and fake news. (Domestic investors are situated a little better in assessing this risk.) Regardless, the Ethiopian government should take all necessary steps (both carrots and sticks) to eradicate armed insurgency (and the semblance of armed insurgency) as soon as possible.

The second priority should be to eliminate politicized student movements. This issue is of main concern to the domestic business community and less so for the international business community. In fact, most foreign investors will see it as a sign of democratic governance when they see student protests. (But not when forty-one of them are shot dead as was the case a few years ago or when there are mass expulsions of students of a specific ethnic group.) However,

the focus of the government should be the domestic business community with respect to controlling this risk. A little historical perspective is in order here. Based on past experience, the domestic business community (which includes small commercial farmers who will only get snippets of news from Addis Ababa and other capital cities) associates student protests with a revolution. The government must counter this perception. It must start with the source/manifestation of the problem – the students. It must explain to the students the existence of this false grandeur and brilliance attached to revolutionary students in Ethiopia. It must tell these students that it would be acceptable if farmers or teachers or shopkeepers protest but not students. They (students) are admittedly (by their presence in the lecture halls) the least knowledgeable members of society; they are there to learn. The government must further demonstrate to the students (and facts are plenty for those tasked with collecting them) that their disturbances impact the economy negatively – and it is always the poor that suffer the most. The government must ask these students how they are going to find the time to develop policies to run a complex country of seventy million people in between “Math I” and “World History”. Of course, a government minister does not barge into the university and lecture these lessons. Rather, these lessons must be constructively designed and inserted into the last years of high school curriculum and into the freshman level curriculum at the universities. (These courses should be required for high school graduation and for proceeding past freshman year at the university.) How many of us have changed our minds since our schooling days? Is anyone really ready to recommend national policies at such a tender and impressionable age? The answer is a simple “No!”

The third priority for the government is to neutralize a largely Ethiopian-born, foreign-based individuals and groups who are hell bent on destabilizing ANY government in Ethiopia. These are the same groups and individuals, who for some unknown reason (possibly to themselves as well), are intent on wrecking havoc on the Ethiopian people and the Ethiopian economy. They opposed the monarchy, the DERG, the EPRDF and no doubt that they will oppose the next government. (It is important to note that there are a lot of legitimate opposition members who are opposed to the current government. Their right to free speech is not completely guaranteed in Ethiopia and they have moved operations elsewhere. These honorable men and women should not be confused with others who just want to tear things down aimlessly.) Legitimate and dignified opposition notes things going well in the country and principally opposes wrong policies – and never is in the business of manufacturing news or ideology for the purpose of destruction. As stated in the beginning, I do not want to venture into politics. But when analyzing the Ethiopian economy, a critical observer would not miss the negative effect of some individuals and groups who operate outside of Ethiopia. Every time they lobby for the blockade of aid and every time they disseminate false information related to the stability of the country, they shave off points from economic growth. The Ethiopian government must aggressively counter this hindrance to the country’s economy. For those who are legitimately (and constructively) opposing it, the government must negotiate and compromise. For those who are seeking to cause destruction and mayhem, it must label them “terrorists” (just like the West does) and lodge formal complaints with the countries where these individuals and groups are based. In some cases, the Ethiopian government can sue some individuals and groups (the legal entities) in the court system of their host countries. Prior to this, the government must determine (1) the cost the Ethiopian economy is incurring due to the illegal and immoral activities of these groups, (2) the cost of undertaking such a legal strategy, (3) the strength of its case and (4) the likelihood of

victory. Then, it should be a straightforward economic decision. The economic cost of these anti-Ethiopia individuals and groups must not be underestimated.

Last but certainly not least, the Ethiopian government must acknowledge the negative impact of two unfriendly neighborly governments – that of Eritrea and Somalia – on the Ethiopian economy. Ethiopia has gone to war against both these countries in the recent past. Both these governments have an almost-open war with the Ethiopian economy. Somali factional leaders, even when in Addis Ababa as guests of the government, have made clear intention that they have territorial interests in Ethiopia. The Ethiopian government has publicly blamed the Eritrean government for instigating (and covertly supporting) mass murders and disturbances in Gambella and Southern Ethiopia. It is no doubt that the Ethiopian government sees these neighboring governments as hostile. The question is what is the Ethiopian government doing about it. Its Somali policy cannot be admired as it has not contributed to a united, peaceful neighbor that would prove to be a valuable trading partner. If the government deems that this is not achievable, it should proceed to recognize Somaliland and Puntland as independent states. It should lead – and not wait to be lead by – other countries. After all, who knows the situation in Somalia better than the Ethiopian government? (Hopefully, the answer to this should be “no one”.) On the other side, the government’s Eritrean policy is a disaster at best. How can the government tolerate the Eritrean government’s covert war against Ethiopia? The Ethiopian government has stated publicly that Eritrea is behind several hostile acts – including the bombing of hotels in Addis Ababa, civil unrest in Southern Ethiopia and mass murders in Gambella that could soon be classified as genocide of certain ethnic groups. How can the government hope to achieve economic growth in an environment such as this? The government should acknowledge the threat to law and order (and thus the well being of the Ethiopian economy) emanating from unfriendly governments, develop a policy to deal with this threat – with clear goals and deadlines. It must not rule out the use of diplomatic pressure, economic pressure, military force and other methods to install responsible, respectable governments in the Horn of Africa; the well being of the Ethiopian economy depends on it.

Recommendation #8:
Eliminate Corruption but Do Not Aim for Purity

Ideas and policy suggestions put forth in this section should not be confused with those made earlier (See Recommendation #4: Terminate Government Ownership of Business). Recommendation #4 dealt with business ownership whereas this section deals with the relationship between the government and private businesses. This is a subtle difference that may be lost on those who skim this paper – there is absolutely no contradiction between the earlier recommendation and this one.

Day-to-day bribery of government officials has a de-habilitating effect on the will of the business community and should be aggressively cracked down. There is a volume of work on the negative effect of corruption. However, most of these studies give the impression that business and government should be completely detached and that is outright wrong. While separate, the two should, in fact, be in bed every other night. For instance, see the close relationship between Airbus and the European Union or Volkswagen and the German government or Toyota and the Japanese government, to name a few. The most in-your-face example in current news is Halliburton and the U.S. government. The relationship between the Bush Whitehouse, the oil industry and (specifically Vice President Dick Cheney and Halliburton) is ample proof that even in the most capitalistic societies, business and government are intertwined. What the West has mastered (and what developing countries must mimic if they want to participate in the world economy) is the legal and technical separation (but not at the moral level) of business and government.

And thus, kudos to the Ethiopian government on the establishment of EFFORT (but not so for REST and TDA)! To the extent that EFFORT is only focused on a particular region, other similar organizations should be set up in other regions. (If they exist, then they are not publicized at all.) The establishment of EFFORT gives one the impression that the Ethiopian government indeed understands the “new world order”. However, the execution of EFFORT itself needs refining. Who ever heard of an active party member (while employed as a Defense Minister) chair one of the biggest and well-connected conglomerates? Better yet, in what is best described as suspicious circumstances, he is replaced by an active party member employed by the government as a Foreign Minister. The government should know better. Can’t it find other, more suitable candidates? Aren’t there any party members who are not holding government posts? The West has what it calls a “revolving door” to maintain the relationship between government and business. Ethiopia needs to install such a door in what is obviously a wide hole connecting the two. Besides EFFORT, the Foreign Minister also chairs Ethiopian Airlines. This must also be severed as soon as possible. There must be other worthy candidates (even now-active party members) who have left their government positions and returned to private life. The Ethiopian government must ask as to the whereabouts of former British Prime Minister John Majors, former U.S. Secretary of State Jim Baker, etc. See the kind of “greasing” role these individuals have transitioned to in their employment with the Carlyle Group, an entity very similar to EFFORT. Ethiopian government officials should learn from their counterparts in the West and Ethiopian society in general must develop talent within its ranks to manage the Ethiopian economy from in and out of the its government.

Japan in the 1960's, South Korea in the 1970's and present-day China are all examples of how the government worked/s closely with the private sector in establishing strong companies those efficiently serve their respective societies very well. The Ethiopian government should point to these data points in its ongoing discussions with the multinational development agencies.

In summary, the government should develop strong relationships with the private sector by a plethora of policies. For example, chief executives of the top fifty private companies should have easy access to the Office of the Prime Minister so they can voice their concerns at the highest levels of government – perhaps, there could even be a bi-annual, televised luncheon between the above-mentioned executives and all the ministers of government. There should also be a constant flow of personnel between government and these large businesses. (Note – The board of directors of these private companies should have the sole authority of granting offers of employment/contract to persons leaving their government posts; no one should be forced to hire anyone.) Light should be shed on the “lobbying” business and it should be formalized. There should be professional lobbyists who can be hired by individuals, groups, organizations and private companies to influence the government. A professional (yet realistic) code should be developed for the profession. In a system wherein the government is sensitive to the needs of the business community, private businesses have the responsibility of supporting not just the letter of the law but also the spirit of the law. Regardless of policy differences, all sides must understand the importance of the symbiotic relationship between government and business for the benefit all concerned. Appreciation of this fact is critical for economic growth.

Recommendation #9:
**Free Trade & Open Economy to Foreign Investment
(with National Security Controls)**

Open economies and free trade are generally positive. They force countries to focus their energies on producing goods and services that they have a comparative advantage on and make the whole world economy more efficient; they also allow for better integration of the local economy to the world economy. So, the recommendation here is to open the Ethiopian economy to foreign investment and expose it to free trade as much as possible with the following considerations.

Let us first discuss the foreign investment. There are two principal concerns for Ethiopia with respect to opening its economy to foreign investment – capital flight and national security concerns (example: ownership of key Ethiopian companies by nationals of a hostile government such as Eritrea). [Items such as technology transfer are a non-issue at the present time.] Both of these issues will never disappear as a threat to the health of the Ethiopian economy but they can be managed. Outright restrictions of capital out flows are rarely productive; such policies discourage foreign investors. Rational policies – example: (1) one hundred percent Ethiopian-citizen ownership of defense contractors and (2) fifty-one percent Ethiopian-citizen ownership of companies in sensitive industries such as the financial services sector and the media sector – must be implemented. While other such limited restrictions and disincentives for capital out flows are in order, the focus of the Ethiopian government should be elsewhere. Once again, the recommendation here is for the government to develop expertise in accounting, tax collection, fraud investigation, criminal prosecution, criminal detainment, global asset search/seizure and general micro-economic analysis capability. But even more urgently (for obvious reasons), the government must develop its foreign (with a focus on home countries of foreign investors who have the largest number and dollar volume of investment in Ethiopia) intelligence assets. The Ethiopian government, based on intelligence gathering and sharp economic analysis, must confidently predict the actions foreign investors will take at any given time. It must constantly analyze foreign investors thorough out the full life cycle of their investment, ranging from the initial deposit to the termination of their interest in their investment. For instance, the government should be able to answer what percent of foreign investment in Ethiopia came from individuals, private companies or other governments that support the government’s foreign policy? This economic security analysis is critical because if the government’s policy was to change, there would be an extremely high risk of capital flight. The government must dig deep to understand the ownership (sometimes not as it seems) of some private companies based in other countries.

In the event of anomalies, the government should immediately invoke “national security” and freeze assets of foreign investors it deems as having non-commercial interests (demonstrated by non-market driven actions) detrimental to the well being of Ethiopian citizens. The government should not have the authority to nationalize any foreign-based companies. Rather, it should keep assets frozen until it reaches a final resolution – and sell of the assets to private investors if it feels it has won its case.

None of the above recommendations – although phrased strongly – should be interpreted to mean discourage foreign investment. As stated at the onset, foreign investment is healthy and should be encouraged. Ethiopia, as one of the poorest countries on this planet, badly needs it. It should be “bending backwards” to attract foreign investment and it should go to extreme lengths to accommodate foreign investors. The above recommendation is to institute a receptive policy that accounts for the long-term well being of the economy.

And now, let us focus our attention to trade. The government must pursue an open trade policy as much as possible. Its pursuit of WTO membership is on the right course. No doubt that WTO and other similar organizations will be pushing it towards such an end. But the government must also cleverly balance such an open policy with protection for some key industries. Where necessary, it can invoke the “infant industry” economic theory and implement a host of creative subsidy policies (as many WTO members do) to protect its local companies. Unless the government is protective of some sectors, they will never develop in a free trade environment. Quite frankly, Ethiopia is late in joining the world economy and will unlikely have any comparative advantage in producing anything. It must strategically select a few industries/sectors, invest heavily in these industries/sectors and develop them under some form of protection. South Korea is an excellent example of this selective protection path to economic growth. Such a cautious, pro-free trade government policy, coupled with private businesses that “get it” (and support the spirit as well as the letter of law) could quickly propel Ethiopia into the world trade system.

It is worth noting that the current government policy of managing the exchange rate (equivalent to a managed free float) is probably the most suitable policy for the time being.

By and large, the Ethiopian government seems to be on track as far as opening up the economy both to foreign investment and free trade. Where it seems to be falling short is in its ability to encourage the rise of strong, local, private companies that are able to compete globally. It could also improve its own capabilities in information/intelligence gathering, economic planning, creative policy derivation and law enforcement. Government officials need to do some soul searching and identify the root causes of these problems and fix them. But the overall march towards an open economy is on the right path towards economic growth.

Recommendation #10:
Invest in Practical Education and Control Population Growth

Let us first discuss the perennial problem of population growth. There has been modest economic growth in Ethiopia in the last decade. But given the population growth, one could almost say there has been no (in the order of one to two percent) economic growth at all. (A rising population will produce more and more, so productivity may have actually declined.) The issue of population growth is also getting a lot of attention and that is another welcome development. So, what kind of policies should the government consider to control population growth?

There are principally four methods available to the government. First, real economic growth, if ever realized, is likely to reduce the rate of population growth. In general, developed societies tend to have low population growth rates. As such, the implementation of pro-economic growth policies (See Recommendations #1-9) will play a big part in curbing population growth. Second, the government can introduce tax incentives such as an “only three children from one family allowed the privilege of public education” policy. Third, the government, working in concert with religious leaders and other civic organizations can embark on a major public awareness (educational) campaign to limit population growth. Clever marketing campaigns emphasizing societal responsibility, such as a “You should at least provide your child with the same standard of living as you got”, should be undertaken. Lastly, the government should start to consider legislation that outright limits population growth. China’s “one child” policy is unlikely to fly in Ethiopia at the present time. However, the mere floatation of such a policy will generate heated public discussion on the topic and that is a positive development.

While recognizing education to be key, the government should privatize as much of it as possible on all levels – pre-school, elementary school, middle school, high school and college/university. Pre-college/university, the government should not seek to control syllabuses but simply set guidelines and standardize testing. At the college/university level, it should leave it up to potential employers (i.e., a demand-pull in a free market environment) to suggest/develop the course material. The government – through the Education Ministry – should monitor hiring practices of Ethiopia-based companies. Are they hiring from the colleges and universities? If not, why? The government should pressure companies (especially those that are large enough to monitor such as MIDROC and EFFORT) to hire from the colleges/universities. It should especially discourage the life-sucking practice of nepotism. The government itself should hire from these colleges and universities. The government should go to great lengths to insure that college/university graduates are employed so that they can pay back all of their student loans. Needless to say, no one should be getting a free college/university education in Ethiopia. Too many Ethiopians, after having acquired their education on the backs of subsistence farmers (who either directly paid for it with their taxes and/or in whose name funds were begged/borrowed and/or in whose name the government runs for-profit businesses), have left the country. All foreign governments that issue visas to Ethiopian citizens should be required to prove (by ownership of authentic Education Ministry “Debt Free” paperwork) that those citizens are not indebted to the Ethiopian people. No responsible government will allow such highway robbery of its population. (To its credit, the current government is on the right path with respect to privatization and instilling a sense of responsibility in the educational sector.)

Aside from the formal educational structure (designed to teach children and young adults), the government should allocate some funds and energy to educating the full members of its society. This education should focus on health (focus: HIV/AIDS prevention) and economics (focus: personal finance). The overall theme should be personal responsibility and individual ownership of one's destiny.

Controlling population growth by creative policies that affect behaviors, instituting educational policies that produce graduates required by the market and instilling a sense of responsibility/ownership in the general population will pay dividends to the society/economy.

Conclusion

For those who skim papers, let me warn you that there is no summary in this conclusion. If you are indeed pressed for time, then please read the first page of this paper and take away the ten recommendations at face value. Below are a few closing points that stitch together the ten recommendations and remark on their implementation.

If there is one recommendation that is to be made above all, it is not to select one of the better ideas presented in this paper. Rather, it is to try and capture the spirit/force/determination/resolve present in all of these ideas, i.e., the willingness to see things clearly and take decisive/bold/public action on behalf of the economy. The piecemeal (one-by-one) implementation of these ideas is also not likely to have the desired effect on the economy. The Ethiopian economy is in such a mess and the level of destitute poverty so high that bold moves in radical new directions (full scale implementation of all recommendations presented in this paper) are required.

Leaders in Ethiopia must also institute and live in a culture that is data-driven and values accountability; they must measure everything and report on it frequently. For instance, is the Prime Minister's and/or the Finance Minister's and/or the Economic Minister's and/or Investment Minister's and/or Trade Minister's performance rating tied to Ethiopia's GDP, GNP, GDP or GNP per capita, trade deficit, borrowing (interest) rates, FDI, unemployment level or other metrics? The "gemgemas" the public hears about are too qualitative and there is no public goal that any senior official is working towards. This lack of accountability at the senior levels needs to change.

Although this paper is focused on the Ethiopian economy, it would be foolish not to touch on politics as it relates to democracy. After all, as mentioned in Recommendation #3, the freedom of people to work and trade is one of the pre-requisites to economic development. Such freedoms are rarely present in non-democratic societies. The current Ethiopian government is the most democratic government in the history of the nation. This fact should be celebrated. But at the same time, the many human rights abuses, political imprisonments (personal vendettas) and the reign (length) of Meles Zenawi is looking eerily familiar to that of many dictatorships. Ato Meles has been at the head of the Ethiopian government for over thirteen years. He has, in fact, been in charge of Northern Ethiopia since the mid 1980's so one can argue that the thirteen years is actually nineteen years. Behind closed doors, even his fans at the World Bank and IMF refer to him as a "new age dictator who understands democratic trappings"; I am sure he himself would agree. There does not seem to be any serious opposition capable of dislodging him. He must willingly (as George Washington did in the U.S.A.) leave power in the interest of building a democratic nation. There were rumors of an internal TPLF/EPRDF switch (possibly Ato Seyum Mesfin ascending to the top position in the government); this would indeed be a positive development. Of course, one does not just get promoted to such a high post. At some critical meeting, capable leaders (perhaps Ato Seyum) must raise the issue themselves. Leaders (at such high levels) rise; they are not promoted. (Note: This should not be read as an endorsement of Ato Seyum. He is simply the most (besides Ato Meles) visible member of this government. Additionally, I am in agreement with those who believe that Ethiopia is likely to democratize slowly and a peaceful transfer of power within the ruling clique is adequate at the present time.)

Regardless of who, a peaceful change of leadership at the highest level of government would certainly give the impression of stability and continuity – and strengthen the Ethiopian economy.

Let me also reiterate two thoughts that I stated in the beginning. First, there are quite a few principles (some political in nature) that have been put aside in making these ten recommendations. These recommendations are focused on what the leadership must do to grow the Ethiopian economy both in the short run and the long run. Secondly, these recommendations are equally applicable to future governments. The before-mentioned spirit/force/determination/resolve is an especially transferable recommendation as it is not a one-time event. There will surely be many new challenges ahead. The same resolve is required to meet these new challenges head on, overcome obstacles and continue to grow the economy.

And lastly, I would like to thank Professor Tecola Hagos for giving us this forum to discuss such important issues. I have read all articles on this site and find a great majority of them to be informative, intelligent and reflective of the wishes, desires and concerns of the Ethiopian public. Most of the articles presented deal with the political, legal and economic security of Ethiopia. As such, I would recommend that the web address of the site be changed to EthiopianNationalSecurity.com or a derivation there of. (As mentioned above, let us reduce reliance on cult personalities.) And I look forward to feedback (by publishing well-thought out articles on this website) from other folks on the issues that I have raised and the positions that I have taken. There is nothing more eye opening or gratifying than being corrected on important issues that one advocates. It is worth noting that I have taken great care (re-read and edited this paper several times) to make sure that I did not offend anyone personally or any group in particular. I have done my best to remain focused on the issues and I kindly request that responders do the same.

I very much look forward to the discussion.

Respectfully yours,
S.M.